Strawman Proposal to UNO (for discussion purposes only)

< Highly Confidential >

October 28, 1998

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Introduction and Meeting Objectives

Within days of DOJ's lawsuit against V/MC, Uno expressed strong interest in becoming the first U.S. bank issuer on the Amex Network.

GNS-NA has prepared this "strawman proposal" to facilitate senior-level discussion regarding our desired approach to Uno.

Meeting Objectives

- Review and discuss the following "strawman proposal" developed by GNS-NA
- Receive senior management input/direction regarding the main elements of our proposed approach to Uno:
 - Negotiating Approach and Timing
 - Proprietary and Non-Proprietary products/services offerings and Pricing Strategy
 - Performance targets
 - Deal team roles and responsibilities

Business Objectives & Key Assumptions



Business Objectives

- Aggressively launch the GNS business in the U.S. by signing a major, influential bank as our first issuing partner
- Maximize Uno's investment in building the Amex business to rapidly grow GNS-U.S.
- Increase pressure on the Associations to settle with DOJ quickly
- Serve other Blue Box strategic objectives where possible

Key Assumptions

- An agreement with Uno will lead other banks to begin negotiations with us
 - Other banks will not want to be left-out
- DOJ lawsuit will achieve an Amex favorable consent decree or verdict by YE 1999
 - Uno will be free to issue cards on Amex Network beginning in the year 2000
- Uno is prepared to invest substantial monetary/human resources to be "first-in" and build its Amex Network business

Negotiating Approach



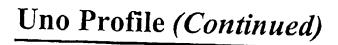
- Negotiate from strength -- make it clear to Uno that Amex has several alternative partners vying for the chance to be "first-in"
- Press Uno to reach agreement on term sheet, contract and complete implementation as soon as possible
 - Be prepared for immediate launch when bylaw restrictions are eliminated
 - Make it in Uno's best interests to see bylaws eliminated sooner rather than later in order to maximize their "first-in" advantage
 - Maintain positive momentum in wake of DOJ announcement
- Proposed deal with Uno will:
 - Enhance the Amex brand by attracting new customers that deliver superior value to SEs
 - Encourage other US banks to join Amex Network, and V/MC to eliminate bylaws
- Proposed deal with Uno will not:
 - Offer exclusivity or include any provisions that could be construed as anti-competitive



Uno Profile

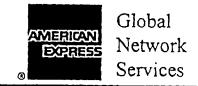
- Uno is the 2nd largest bank issuer of credit cards in the U.S. -- combining the card issuing businesses of Bank One, First USA and First Chicago.
 - Combined YE 1997 Results:
 - CIF: 53.1MM (43.5MM Visa, 8.8MM MC)
 - Spend Volume: \$88.9B
 - Outstandings: \$56.6B
 - * Uno added 840K net new cards from 1996-97
 - Bank One and FirstUSA (combined) added 2.5MM net new CIF
 - First Chicago lost 1.7MM net CIF
 - Uno now owns the attractive United Airlines "Mileage Plus" portfolio (via First Chicago)
 - A large (1.4MM CIF), very high spending (\$20K/CIF), transaction oriented portfolio
- Uno intends to expand rapidly internationally -- especially U.K & Canada
 - Uno will drop mail for a major V/MC launch in the U.K. in next several weeks.
 - Uno has announced its entry into Canada with Visa as its lead brand
 - Uno/Amex are already engaged in active discussions regarding a network deal in the U.K.

^{*} see appendix for detailed breakdown for each of Uno's subsidiaries





- Uno's unique attributes create special <u>opportunities</u> and <u>risks</u> that must be managed carefully to ensure maximum incremental benefits for the Blue Box.
 - Low price leader (e.g. no-annual fee and low/fixed interest rates)
 - Leader in affinity card marketing and internet card acquisition
 - Very aggressive direct marketer (#1 mailer in the US with 29% of all offers)
 - Willingness to strongly support the "next hot product" by recently shifting approximately
 95% of acquisition funding to new platinum category
 - Innovator of new categories (e.g. Titanium)
 - Influential member of the VISA Board -- with VISA USA's next president (Mr. Boardman)
 coming from Uno
 - Potential "first-in" market timing could establish important standards/precedents
- Uno was the #1 ranked GNS-NA bank prospect based on combined "attractiveness" and "willingness".



Recommended Offerings Approach

To maximize the incremental benefits of a proposed Network arrangement with Uno, GNS-NA proposes a three-pronged approach:

- Issuing Non-Proprietary (NPL) Revolving Cards
- Distributing Proprietary License (PL) Charge Cards
- Converting Entire Portfolios or Specific Portfolio Segments

Issuing Agreement: Non-Proprietary (NPL) Cards



Signing banks to become issuers of their own credit cards, to their own customers, on the Amex Network forms the foundation of the GNS-NA strategy. We propose, therefore, that Uno become an issuer of the following:

NPL Revolving Card Products

- Premium and/or Super Premium Personal Cards
- Small Business Cards
 - Appeal to high-spending customers
 - Enables Uno to bring significant new product innovation to these categories
 - Standard NPL licensing terms
 - Within parameters of current/planned GNS infrastructure capability
 - Uno has previously stated a desire to better serve this customer segment and expressed interest in working with Amex to do so

Pricing to Uno

Additional incentive on spending to drive card useage

Issuing Support

Amex can provide full range of value-added product/service support through the Partner Solution Center

Distribution Agreement: **Amex Proprietary Charge Cards**



Given Uno's large base of DDA banking customers and efficient card distribution system, we believe there is a large opportunity for Uno to become a major bank distributor of Amex proprietary Personal Charge Cards (Green, Gold, Platinum).

PL Product Offerings (Distribution)

- Amex Personal Charge Cards (Green, Gold, Platinum)
 - Uno to act as distribution agent only
 - Amex remains card issuer and controls all aspects related to brand/product positioning and pricing
 - Uno able to link Amex issued charge card to bank customers' DDA account
 - Bank can innovate/differentiate its Amex Charge Card by adding an automatic payment provision at 30 days from customers' DDA and/or by attaching a line-of-credit to provide overdraft/revolve functionality
 - Uno has already stated an interest in becoming a distribution agent for PL cards

Pricing to Uno

- A dollar amount per card acquired to encourage acquisition
- A percentage of spend to encourage ongoing spending/utilization
- Aggregate payments can be no more than current Amex cost to acquire charge cards so as to maintain minimum ROE targets of 18-20%.
- Would Amex be willing to accept a lower hurdle rate to acquire more, high-spending charge cards which support the SE value story?



Portfolio Conversion Agreement

Converting entire portfolios or specific portfolio segments that can be better and more profitably served on the Amex Network represents a major opportunity for GNS-NA to quickly capture significant CIF, spending and transactions.

Convert Entire Portfolios

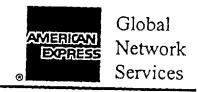
- · First Chicago's United Airlines "Mileage Plus" portfolio
 - Estimated to contain 1.4MM AIF
 - Estimated average spending/AIF of \$15K 20K
 - High transaction portfolio

Convert Specific Portfolio Segments

- Convenience users/transactors
- · Frequent travelers/heavy T&E spend
- Other high-spending premium segments

Pricing to Uno

- Estimated payment to Uno of \$X/AIF to offset conversion expenses and attrition
- Offer Uno a premium issuer's rate of 10-15bps on converted portfolio



Performance Targets

We will establish aggressive business growth targets and require that Uno invest substantial financial/human resources to grow the Amex business.

New Card Acquisition (per year 1-5)

- Investment:

\$100MM + targeted at "upper half" of market

Performance Target:

1.0 - 1.5 MM AIF

• Card Usage/Spending (year 3 vintage target)

Performance Target:

\$2,500 - \$3,000 average spend/AIF

· Portfolio Conversion

- Investment:

\$7MM - \$14MM (estimate)

Performance Target:

1.4MM CIF and \$2.8B spending upon conversion

*** Above targets are for discussion purposes only and subject to further analysis

Additional Opportunities/Issues

Opportunities

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- Improve card relevance in geographical areas where needed most to support
 - Uno's strong presence in mid-west and south could help drive additional card ownership/useage in this area -- helping to bolster SE value story
- Seek additional airline cobrand opportunities
 - Provide special incentives for Uno to structure cobranded relationship with additional airlines (e.g. Northwest Airlines) to drive relevance and SE coverage in mid-west-U.S.
- Expedite resolution of FDC certification as third party processor
 - First USA uses FDC as its processor and proposed deal would likely convince FDC to make necessary infrastructure investments needed for certification and hook-up to Amex
- Maintain access to Uno's ATM network
 - Any deal with Uno would ensure continued access for all Amex cardmembers to Uno's

Issues

- Uno has expressed interest in using Proprietary card imagery (e.g. Centurion, world-service background, etc) on Non-Proprietary cards
 - Allowing use of proprietary imagery on NPL cards could denigrate the brand and cause 12



Uno Deal Team Roles and Responsibilities

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<u>Name</u> H. Golub	<u>Title</u> Chairman & CEO	•	Proposed Roles Advisory Team Final deal approval authority and
K. Chenault	President & COO	•	Advisory Team OCE escalation contact for well in
J. Linen	Vice Chairman	•	Advisory Team Advise on appropriate and the second
J. Cracchiolo	President TRS Intl.	•	and maintain positive overall relationship Advisory Team Review and approval authority as business owner of GNS
J. Li	President of GNS	•	Advisory Team Review and approval authority to ensure goal/objectives alignment as Head of GNS
D. House	President of ESG U.S.	•	Core Team Executive owner with primary deal responsibility and liaison with Uno's senior deal contact
S. McCurdy	VP & Head of GNS-NA	•	Core Team Deal strategy, negotiation and oversight with review/approval as Head of GNS-NA
R. Pelliciotti	VP Sales & RM GNS-NA	•	Core Team Sales/negotiation responsibility with day- to-day deal management/contact with Uno's project team
A. Segal	Managing Counsel-GCO	•	Support Team Primary legal counsel
W. Twomey	CFO of GNS	•	Support Team Primary pricing and financial analysis responsibility
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